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Annual Report 1987-88

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The Saskatchewan Beef Stabilization Board

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Saskatchewan
Beef Stabilization Board
Annual Report
1987-88

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Saskatchewan

Saskatchewan
Beef
Stabilization
Board

The Imperial Centre
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Saskatchewan Beef Stabilization Board

To Her Honour,
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1988.

I have the honour to be, Madam,
Your obedient servant,

Honourable Grant Devine, Premier
Minister of Agriculture

Saskatchewan

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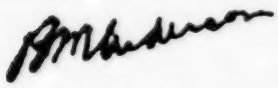
Saskatchewan Beef Stabilization Board

Honourable Grant Devine, Premier
Minister of Agriculture
Province of Saskatchewan

Sir:

I am pleased to present herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1988.



Respectfully submitted,
Boyd Anderson, Chairman
Saskatchewan Beef Stabilization Board

Saskatchewan
Beef
Stabilization
Board

Chairman's Comments - 1987/88

This report covers the sixth full fiscal year of operation of the Saskatchewan Beef Stabilization Board. The general functions of the Board are to:

1. Administer two market insurance programs for cattle, known as the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.
2. Provide the contract holders with a cattle selling system, organized around the central desk and telephone contact with the packing industry.

The two Market Insurance Programs are based upon insurance principles. Producer levies are collected at the time of sale of the animals and the provincial government matches these levies. When the market price received on a weekly average falls below the established support price, the plan pays the contract holder the difference.

The support price is established on a formula which considers average costs of production. Adjustments are made on a yearly basis, which should over a long period of time allow the programs to break even.

The marketing service operates much like a commission firm at public stock yards, except that the cattle are sold while the cattle are still in the feedlot. The producer makes the final decision as to whom and when the cattle are delivered.

The majority of the cattle are sold as full loads through the central desk. The producers inform our marketing people of the number of cattle, weight, sex and breed. Our marketing people, by telephone, will offer these cattle to the various Packing Plants that are in need of finished cattle. The bids will be received and transmitted back to the producers. The producer makes the final decision on the sale of his or her cattle.

The Board offers as much flexibility as possible to producers. Other approved methods of selling are direct from farm to local plants, or abattoirs, for small numbers. Cattle may also be sold live in larger numbers out of the feedlot, or sold live at approved auction sales.

The Board requires that producers, or their agents, be in contact with the marketing desk regardless of the method of selling.

The majority of the cattle are sold to Packing Plants in Saskatchewan, Manitoba and Alberta, with smaller numbers going to Ontario and the U.S.A.

During the year of 1987-88 about 81% of the cattle were sold on a rail grade basis through our central marketing people, 12% sold on a live weight basis, and the remainder sold to local abattoirs (7%).

Saskatchewan Producers are following the marketing trends in the U.S.A. for finished cattle by selling more and more on a rail grade basis. During the 1987-88 fiscal period, the Saskatchewan Beef Stabilization Board marketed 260,816 head which was over 83% of the total Saskatchewan origin of slaughter steers and heifers. This is an increase in volume of 19% (42,000 head) over the prior fiscal year.

Our method of marketing slaughter cattle has become very popular with the Saskatchewan cattle feeders, and over the past three years an average of 12,290 head of non stabilized cattle have been marketed through us each year.

During the past year Royal Dressed Meats packing plant in Ontario went broke and, as a result, losses and late payments were sustained by some Canadian producers. The Saskatchewan Beef Stabilization Board did not lose any money through this bankruptcy, but if we had our producers would have been protected by the fund we have built up from income derived from marketing. Our Marketing income has done so well that we have lowered the price of selling from $4.00 to $3.50 at the terminal markets, and from $2.50 to $2.00 for those who sell direct from the farms to the abattoirs and receive their money directly.

Operational efficiencies with the increased volumes of cattle, and consistent income sources, including these low marketing charges, has also enabled the Board to reduce the amount normally billed to the Provincial Government to cover the cost of administering the stabilization programs.

The support level of our programs is largely dependent on three factors: price of grain, price of feeders, and the interest rates. During this past year we saw a dramatic increase in feeder prices, and as a result our support levels rose from $1.40 to $1.55 on a dressed basis. This high support caused us to make substantial payments in the Feeder Finish program, and our deficit increased from $8,000,000 to $22,000,000 dollars in this twelve month period.

In an effort to control this escalating deficit, the Board made changes on April 1, 1988 which lowered the support by $50.00 per head and which increased the levy income for the fund. Hopefully this change will control the situation. Another factor which helped increase the deficit was the large increase in feeding numbers.

A combination of plentiful feed supplies, good cattle prices, and the support of the stabilization plan along with other government programs, encouraged more feeding in Saskatchewan. Over 50% of the Saskatchewan feeder cattle are now fed out right here in Saskatchewan. There is every indication now that Saskatchewan is well on the way in developing a strong cattle industry.

The regulations in the Feeder Finish program require that cattle be owned for an average of at least 75 days, and that all cattle in the Feeder Finish program be branded to qualify for stabilization. The provincial brand inspection service has given us very good service and co-operation over the year, and have certainly helped to maintain discipline in the system. We have also maintained a good relationship with the Packers and other marketing systems.

As Chairman of the Board, I am proud that the Board works hard to be fair in dealing with producers who may run into problems with their contracts. We can usually get reasonable settlements when the producers will negotiate and discuss their problems. However, there are very few contract holders who have been taken to court because of serious infractions. Up to this time we have not lost a court case. In my opinion the Plan is generous enough that it is not necessary for anyone to attempt to beat it. In one court case involving fraud, the producer was fined $50,000 by the Judge and ordered to repay the Board the sum of $191,000.00.

During the year the Board held eleven meetings. Our Board is an excellent cross section of Saskatchewan cattlemen, and come from the following associations:

- Saskatchewan Cattle Feeders Association
- National Farmers Union
- Western Canada Cow Calf Association
- Saskatchewan Stock Growers Association
- Saskatchewan Association of Rural Municipalities
- Saskatchewan Livestock Market Association
- Saskatchewan Wheat Pool (Livestock Division)

The Board has had the responsibility of developing the plans, and in co-operation with management, work towards changes that improve the plan in regards to efficiencies and fairness.

As Chairman, I feel very pleased with the efficiency of our operation. I have had very few phone calls of complaints from producers. With the present Board, the management, and the co-operation from the Saskatchewan Department of Agriculture, I am confident that our plan is being well received and well administered.

The deficit is an ongoing problem and the Board will work with the government to make some changes to help correct it. There is a possibility that the Saskatchewan government will join Tripartite (the federal plan) and in this way get some funding from the Federal Government. However, at the time of this report, no deal has been made with Ottawa and the other provinces.

In summing up, it seems to me that we have a strong active feedlot industry developing in our province. Since the inception of the beef plans in 1982, there has been major packing expansions at both Moose Jaw and Saskatoon.

On the international level, there is good indication of getting a Free Trade Agreement with the U.S.A., and there is also good indication of more sales to Japan.

I believe we can look forward to 1988-89 with much optimism, and certainly our objective should be to feed out and slaughter all our cattle within our own borders.

Board Personnel

Board of Directors

Mr. Boyd Anderson, Chairman ..... Fir Mountain
Mr. W.G. (Bud) Morken, Vice-Chairman ..... Sturgis
Mr. Errol Cochrane ..... Fort Qu'Appelle
Mr. Lorne Cholin ..... Kerrobert
Mr. Rudy Jurke ..... Lloydminster
Mr. Bernard Kirwan ..... Gull Lake
Mr. Richard Pratt ..... Saskatoon
Mr. Orville Thompson ..... Carnduff
Mr. Evans Thordarson ..... Mozart
Mr. Ed Wirtz ..... Rosetown

Staff

Jim Stalwick ..... General Manager
Stewart Stone ..... Manager, Finance & Administration
Harry Long ..... Marketing Manager

The Board also employed a total of 26.5 full-time and temporary staff as of March 31, 1988.

Operations Data

	1987/88	1986/87
Total S.B.S.B. cattle marketings	260,816	218,982
Active Production Units		
Cow Calf to Finish Market Insurance Plan	2,540	2,693
Feeder to Finish Market Insurance Plan	1,402	1,120
Animals Stabilized		
Cow Calf to Finish Market Insurance Plan	70,465	87,266
Feeder to Finish Market Insurance Plan	183,623	117,993
Saskatchewan Sales of Steers & Heifers		
Totals Sales	312,870	285,070
S.B.S.B. % of Total Sales	83.4%	76.8%

1987/88 Marketings by Destination	Total Saskatchewan		S.B.S.B.	
	No. Head	%	No. Head	%
Saskatchewan	208,704	66.7	164,155	62.9
Manitoba	45,070	14.4	40,660	15.6
Alberta	44,270	14.2	43,671	16.7
Ontario	11,620	3.7	10,297	4.0
U.S.A.	2,420	0.8	2,033	0.8
Other	750	0.2	—	—
	312,870	100.0	260,816	100.0

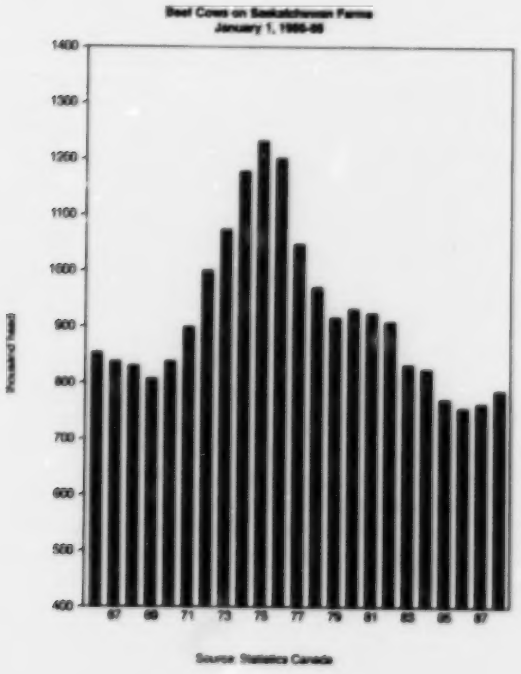
Weekly Volume Highlights (No. Head)	
High-week ending December 27, 1987	7,236
Low-week ending April 26, 1987	2,875
Average weekly volume	5,016
Weekly Average Rail Grade Price	
High-week ending May 24, 1987	1.5444
Low-week ending December 20, 1987	1.3687

Saskatchewan
Beef
Stabilization
Board

Operations - 1987/88

Industry Review

The Saskatchewan cow herd increased slightly in 1987-88, the second cow herd increase experienced in Saskatchewan in as many years. Statistics Canada reports the beef cow herd in Saskatchewan as of January 1, 1988 at 790,000 cows, up approximately 25,000 cows from one year earlier. The Canadian beef cow herd increased by 64,000 cows to 3,255,700 cows as of January 1, 1988. In addition to Saskatchewan, modest cow herd increases were also recorded in British Columbia, Alberta, Manitoba, Ontario and Prince Edward Island. The Saskatchewan share of the total Canadian beef cow herd remained unchanged from a year earlier at 24.3%. Heifers for replacement increased to 130,000 head from 120,000 head the previous year, an increase of approximately 8%. The trends noted above would suggest that the cow herd numbers in Saskatchewan as well as Canada have stabilized are are in the early stages of rebuilding.



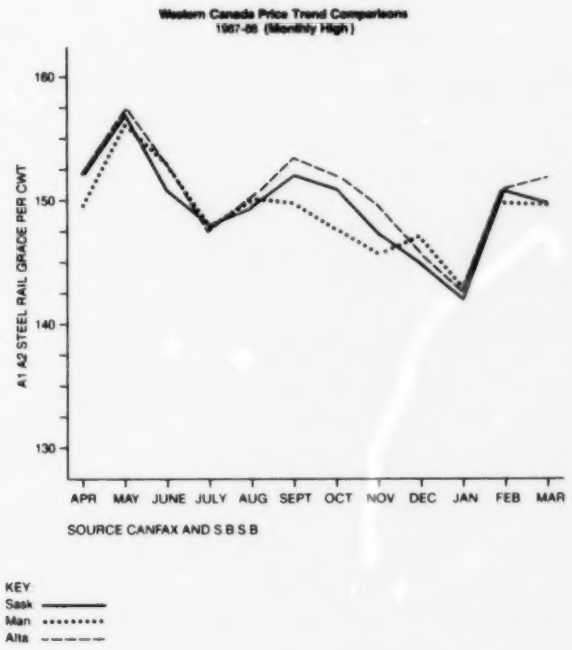
Source: Statistics Canada

Per capita consumption of beef decreased to 84.1 pounds in 1987, down from 86.4 pounds the previous year. Poultry consumption increased from 57.8 pounds to 60.9 pounds for the sixth consecutive year of increases. While pork consumption increased from 60.9 pounds to 61.6 pounds per capita.

The decline experienced in per capita consumption beef in 1987 was primarily due to the increased supply of poultry and pork products at a more competitive price. This decline resulted in eliminating the previous two years gains in per capita consumption of beef and returned us to levels equal to that experienced in 1984.

Market prices for the 1987/88 year showed far more stability than previous years with prices ranging from a low monthly average of $1.40 to a high of $1.54. Average weekly prices fluctuated from a high in May of $1.57 per pound to a low in July of $1.39 per pound. The range of fluctuation in the average weekly market price was very similar to those recorded in previous years.

In 1987-88 the number of steers and heifers being fed to slaughter weight again increased significantly from the previous year as a result of lower interest rates, lower feed prices, improved markets and government incentives. During the 1987-88 year Saskatchewan managed to finish steer and heifer production at 54.9% of the cow herd. This compares to steer and heifer production of approximately 20% in 1979, 1980 and 1981. The trend was dramatically reversed in 1982 back up to 30.7%. Since that time the output of slaughter steers and heifers has been increasing steadily with the exception of a slight decrease in 1985-86 year. The turnaround in Saskatchewan origin slaughter steers and heifers is reflected in the relative healthiness and optimism of our feedlot industry and packing plants.



Finished Marketings

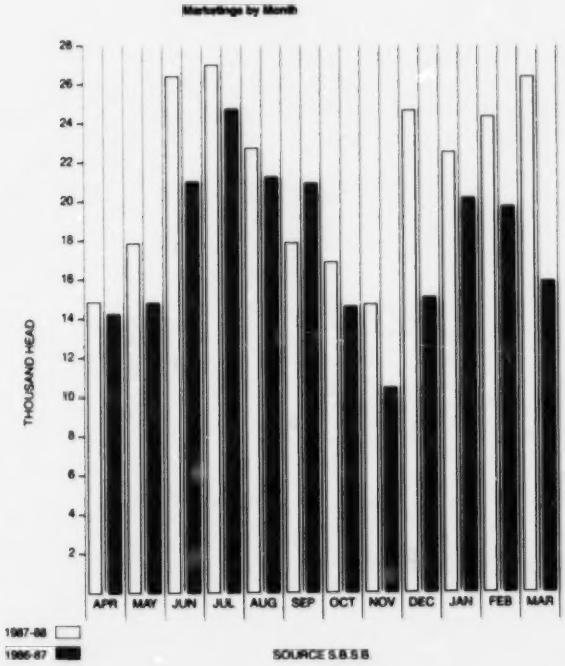
Producers have the option of marketing animals eligible for stabilization in full loads through the Central Marketing Desk, in small lots delivered direct to packing plants, on a live weight basis through auction, and by making their own arrangements through abattoirs. Approximately 80.8% of cattle marketed through the Saskatchewan Beef Stabilization Board were on a daily tender requiring bids on a rail grade basis, with 12.6% sold on a live weight basis and 6.6% sold through local abattoirs.

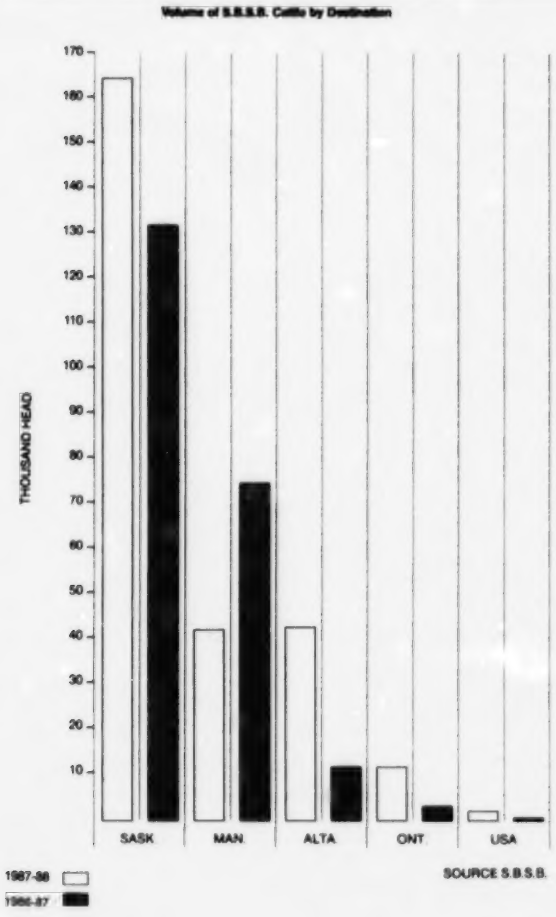
During the 1987-88 year, the Board received bids on cattle from slaughter plants in Saskatchewan, Manitoba, Alberta, Ontario and U.S.A. Saskatchewan meat processors purchased 62.9% of cattle marketed through the Saskatchewan Beef Stabilization Board. Of the balance 15.6% went to Manitoba, 16.7% to Alberta, 4.0% to Ontario and 0.8% to the U.S.A.

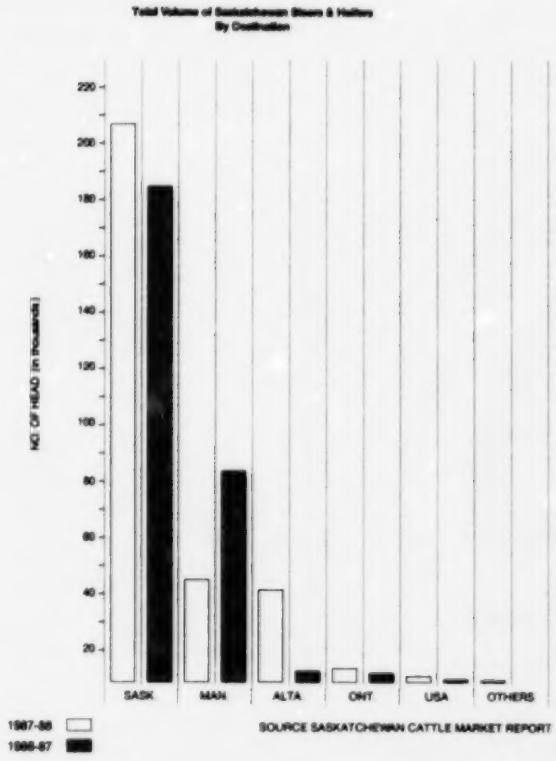
Participation

Records for the 1987-88 year indicate a net increase in total contracts registered in both programs over the previous years. Registration in the Cow Calf to Finish Program decreased from approximately 2700 to 2540 production units, representing approximately 3525 producers. By March 31, 1988, 1402 production unit contracts were registered in the Feeder to Finish a net increase of 25% from the end of the prior year.

During the 1987-88 fiscal period, the Saskatchewan Beef Stabilization Board marketed 260,816 head, or 83.4% of the total Saskatchewan origin steers and heifers. This represented an increase of 41,834 head and 19.1% respectively over the prior fiscal year.







Administration

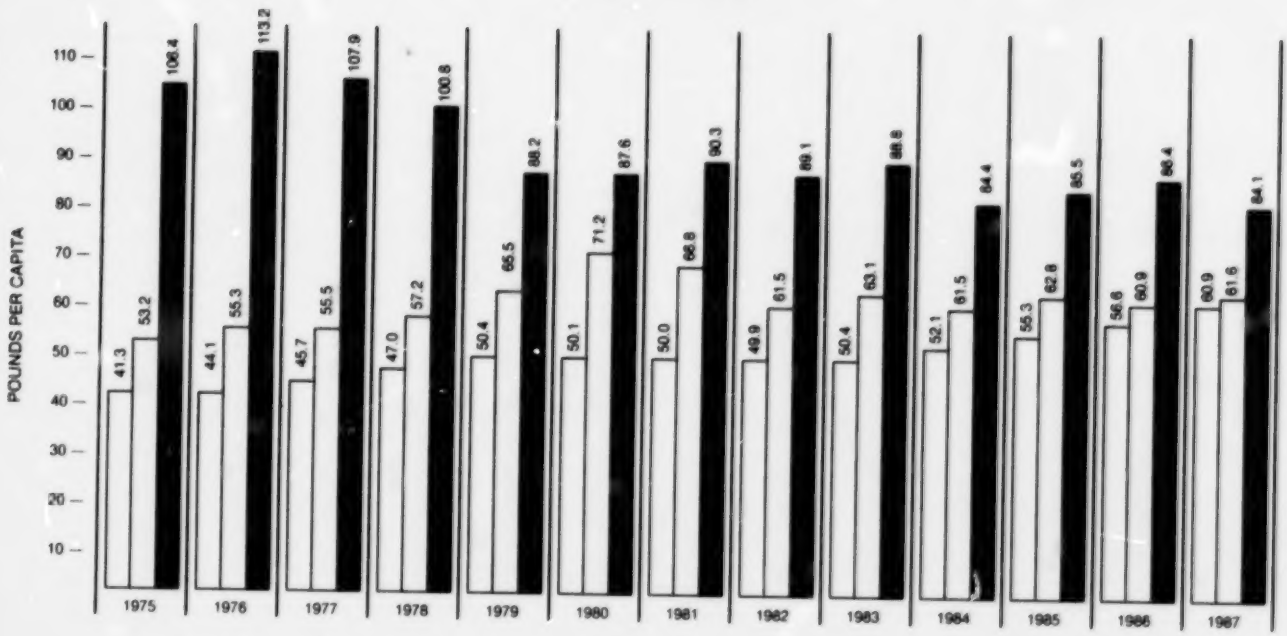
In 1987-88 the Board continued its efforts to keep producers informed of the programs available, amendments to existing programs, regulations, regulation amendments and industry developments. This information is distributed by means of newsletters, through various publications, brochures and producer meetings held on a group and individuals basis.

During the past year negotiation continued between the Federal and Provincial governments in an attempt to finalize the National Tripartite Stabilization Program for Beef, but by year end no agreement had been signed. During this same time period the Board continued to fine tune its existing provincial programs for future years. In addition, the Board and its committees met on a regular basis throughout the year to deal with producer concerns, regulation interpretation and financial review.

During the past year we maintained a good working relationship with those directly involved in the cattle industry. The provincial brand inspectors have been most co-operative in assisting the Board in ensuring that our branding regulations are enforced and respeced.

The 1987-88 year saw a continuation of the Board's efforts to provide relevant and timely information to producers. The addition of Canfax and the continual improvement of the Board's computerized data base, provides readily available statistical information important to the development of the Saskatchewan cattle industry.

Beef, Pork, and Poultry Consumption
Canada 1975-87



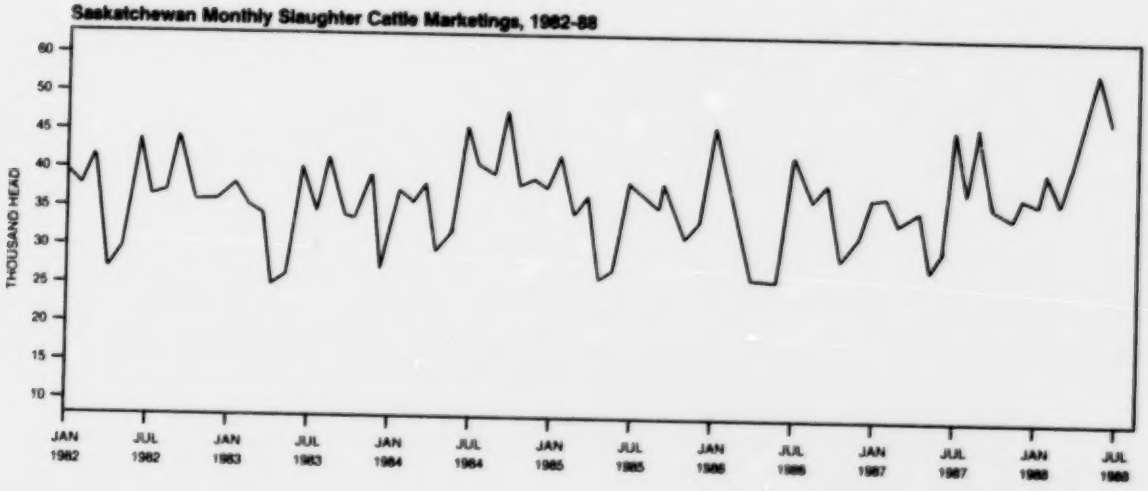
SOURCE STATISTICS CANADA: Apparent Per Capita Food Consumption in Canada, Catalog No. 32-229/230 (revised series)

Poultry

Pork

Beef

Saskatchewan Monthly Slaughter Cattle Marketings, 1982-88



SOURCE SASKATCHEWAN CATTLE MARKET REPORT

Saskatchewan
Beef Stabilization Board

Financial Statements
Year Ended March 31, 1988

Office of the Provincial Auditor
Regina, Saskatchewan

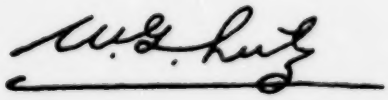
Saskatchewan
Beef
Stabilization
Board

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of the Saskatchewan Beef Stabilization Board as at March 31, 1988 and the statements of revenue, expenditure and surplus and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statments applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
October 7, 1988

W.G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

Saskatchewan Beef Stabilization Board
Balance Sheet
March 31, 1988

		1988		1987
ASSETS				
Current Assets:				
Cash		$ 941,673		$ 718,005
Accounts receivable:				
- Department of Agriculture		63,820		68,904
- Accrued interest		52,703		36,084
- Miscellaneous		100,380		112,703
		1,158,576		935,696
Fixed assets (Notes 1 (b) and 4)		124,275		129,178
Deferred charges (Notes 1 (c) and 5)		148,923		177,044
Producers' trust fund assets:				
Cash	$6,217,326		$2,997,546	
Accounts receivable	3,711,836	9,929,162	1,790,778	4,788,324
		$11,360,936		$6,030,242
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable		$ 57,059		$ 47,778
Producers' trust fund liabilities:				
Due to producers	$9,008,898		$3,488,684	
Due to Cow Calf to Finish Market Insurance Plan	161,208		565,181	
Due to Feeder Finish Market Insurance Plan	636,842		562,325	
Other	122,214	9,929,162	172,134	4,788,324
Deferred revenue — government assistance (Note 1 (e))		14,000		28,000
Equity:				
Surplus (Statement 2)		1,360,715		1,166,140
		$11,360,936		$6,030,242

(See accompanying notes to the financial statements)

Statement 2

Saskatchewan Beef Stabilization Board
Statement of Revenue, Expenditure and Surplus
For the Year Ended March 31, 1988

	1988	1987
Revenue:		
Market fees	$ 590,437	$ 572,598
Interest	627,802	525,046
Department of Agriculture		
- administration grant	326,750	352,614
- feeder finish program development grant (note 1 (e))	14,000	14,000
Insurance commissions	51,770	40,478
Miscellaneous	1,474	768
	$1,612,233	$1,505,504
Expenditure:		
Salaries and employee benefits	$ 745,568	$ 666,260
Communications	148,190	124,665
Amortization and Depreciation	134,738	119,215
Directors' honoraria and travel	78,100	59,870
Office supplies	69,181	37,389
Fieldman per diem and travel	41,793	31,222
Miscellaneous	36,918	34,587
Computer services	35,939	30,850
Accounting and legal	28,553	19,767
Computer maintenance	23,219	20,608
Investigations	21,224	17,873
Travel and sustenance	20,166	18,330
Dues and subscriptions	18,248	16,070
Bank charges	8,081	7,773
Producer information	7,740	4,133
ASA 90	—	4,537
	1,417,658	1,213,149
Excess of revenue over expenditure	194,575	292,355
Surplus, beginning of year	1,166,140	873,785
Surplus, end of year	$1,360,715	$1,166,140

(See accompanying notes to the financial statements)

Statement 3

Saskatchewan Beef Stabilization Board
Statement of Changes in Cash Position
For the Year Ended March 31, 1988

	1988	1987
Cash provided by operations:		
Excess of revenue over expenditure	$194,575	$292,355
Add charges to operations not requiring an outlay of cash:		
Amortization and depreciation	134,738	119,215
Amortization of deferred revenue	(14,000)	(14,000)
Loss on sale of fixed assets	177	—
	315,490	397,570
Net change in non-cash working capital	10,069	(47,044)
Proceeds from sale of fixed assets	126	900
Cash from operations available for capital expenditure	325,685	351,426
Cash used for capital expenditures:		
Acquisition of fixed assets	102,017	73,202
Increase in cash	223,668	278,224
Cash, beginning of year	718,005	439,781
Cash, end of year	$941,673	$718,005

(See accompanying notes to the financial statements)

Saskatchewan Beef Stabilization Board
Notes to Financial Statements
March 31, 1988

1. **Significant Accounting Policies**

   (a) Revenue Recognition
   Marketing fee revenue is recognized on the basis of slaughter date.

   (b) Fixed Assets
   Equipment is recorded at cost less accumulated depreciation; maintenance and repairs are charged against operations as incurred.

   Equipment is depreciated over its estimated useful life on the diminishing balance method at 20% per annum.

   Computer hardware is depreciated over its estimated useful life on the straight-line method of 20% per annum.

   c) Deferred Charges
   Computer software development costs are amortized over their estimated useful life on the straight-line method of 20% per annum.

   (d) Producers Trust Fund
   The producers' trust fund was established to collect funds from the sale of producer's cattle to the packing plants and segregate these funds into amounts held for producers, truckers/assemblers, insurance, stabilization levies and marketing levies, and to make payments or transfers to these groups as appropriate.

   (e) Deferred Revenue - Government Assistance
   Deferred revenue represents the unamortized portion of funds received from the Department of Agriculture to partially finance the development expense of the Feeder Finish Market Insurance Plan. Amortization is calculated at 20% per annum on the straight-line basis to correspond with depreciation and amortization of computer hardware and software costs.

2. **Incorporation**

   The Board was established under The Beef Stabilization Act 1980-81, C. B-0.1 and commenced operations on January 1, 1982. The Board's main function is to market beef on behalf of producers and to administer the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

3. **Cow Calf to Finish Market Insurance Plan and Feeder Finish Market Insurance Plan**

   The Board administers the above plans which form part of The Saskatchewan Agricultural Returns Stabilization Fund established under Section 5 of The Saskatchewan Agricultural Returns Stabilization Act. Stabilization transactions are therefore included in the financial statements of The Saskatchewan Agricultural Returns Stabilization Fund.

4. **Fixed Assets**

   The costs and related accumulated depreciation are as follows:

	Cost	Accumulated Depreciation	1988 Net Book Value	1987 Net Book Value
Office equipment	$ 16,458	$ 6,840	$ 9,618	$ 8,548
Computer hardware	327,066	212,409	114,657	120,,630
	$343,524	$219,249	$124,275	$129,178

5. **Deferred Charges**

   The costs and related accumulated amortization are as follows:

	Cost	Accumulated Amortization	1988 Net Book Value	1987 Net Book Value
Computer software	$385,315	$236,392	$148,923	$177,044

6. **Related Party Transactions**

   Related parties to the Board are Saskatchewan's Crown controlled departments, agencies and corporations.

   (a) Transactions at market value
   Transactions entered into with related parties for purchase of supplies and services such as telephone and computer services are recorded at normal market prices.

   (b) Costs borne by other agencies.
   The Board has not been charged with certain occupancy costs nor provision for these costs is shown in the financial statements.

7. **Subequent Event**

   The Province has joined a national triparite price stabilization scheme for cattle. The Province has announced its intention to phase-down and terminate The Cow Calf to Finish Market Insurance Plan and The Feeder Finish Market Insurance Plan by January 1, 1991.

8. **Comparative Figures**

   The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year.

Five Year Summary — unaudited

	1987-88	1986-87	1985-86	1984-85	1983-84
Number of Head	260,816	218,982	167,736	186,703	196,173
Revenues	1,612,233	1,505,504	1,181,589	1,323,921	1,147,562
Expenses	1,417,658	1,213,149	1,138,938	1,145,245	983,195
Excess of Revenue over Expenses	194,575	292,355	42,651	178,676	164,367
Current Assets	11,097,738	5,724,020	4,085,612	2,674,317	3,918,066
Current Liabilities	9,986,221	4,836,102	3,522,963	2,194,898	3,622,935
Plant and Equipment Additions	102,017	73,202	51,676	74,564	172,345
Depreciation and Amortization	134,738	119,215	106,255	94,177	684
Average Number of Employees	26.5	24.5	21.5	21.5	18